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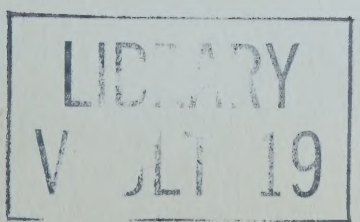
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THE ALBERTA PROPERTY TAX REDUCTION PLAN.

JANUARY, 1973.

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THE ALBERTA PROPERTY TAX REDUCTION PLAN.

PART 1 - The Existing Situation.

PART 2 - Philosophy of the Alberta Government.

PART 3 - The Alberta Property Tax Reduction Plan.

PART 4 - Appendices -

A - Examples of Benefits to OWNERS of residential property.

B - Examples of Benefits to RENTERS of residential property.

C. Table of Municipal Assistance and Incentive Grants.

PART 1 - THE EXISTING SITUATION.

The major source of revenue for Alberta municipalities is the property tax. Every year, based on the assessed value of the property, the owner is required to pay the tax. It is applicable to industrial, commercial and residential classes of property. Originally, this municipal tax was intended to pay for municipal services (commonly called "services to property"), but during recent years the tax has been required to support an expanding system of social services (commonly called "services to people"). This trend has had two direct results:

1. The owner of residential property finds his taxes rising and has no opportunity to pass on or absorb the increase. This is particularly difficult for persons who are retired or on low incomes.

2. The municipal governments, in meeting their financial obligations for "services to people", find their budgetary flexibility severely hampered for providing "services to property".

At/

At present there are two programmes of financial assistance in Alberta which attempt to help with the two foregoing problems.

The first is a programme of direct financial assistance to the residential property owner. This is accomplished by means of the Homeowners Tax Discount, an annual payment of $75.00 to residential property owners for their places of residence. For senior citizens on the guaranteed income supplement the payment is $150.00. In 1972, the Provincial Government gave senior citizens additional assistance under the new Senior Citizens Shelter Allowance Act, which excused the senior citizen from paying the Education Foundation Levy on his property. The programme also gave senior citizen renters of private accommodation $50.00 annually, recognizing that rents include payment for property taxes.

The second programme of assistance is the Municipalities Assistance Grants, whereby sums of money are given to all municipalities each year to use at their discretion. In 1971 this fund had been frozen at $38 M, but in 1972 the Province increased it by 10% to $42 M. The municipalities maintain that this programme is inadequate for them to effectively deal with their expanding responsibilities.

To summarize, then, in Alberta today there is a municipal property tax which imposes financial difficulties in a regressive

manner/

manner on many Alberta residential taxpayers; relief is given by the Homeowners Tax Discount or the Senior Citizens Shelter Allowance. Municipal governments, with expanding responsibilities, face continuing budgetary problems; assistance is given by the Municipalities Assistance Grants.

PART 2 - PHILOSOPHY OF THE ALBERTA GOVERNMENT.

The Alberta Government believes in this philosophy: firstly, that taxation is primarily based upon the taxpayers ability to pay, and secondly, that property taxes be relied upon essentially to provide revenues to service property. To reflect these key principles the Government intends to shift a significant portion of existing property taxation requirements to Provincial sources of Income Taxes and natural resource revenues.

The Alberta Government also believes in a philosophy of municipal autonomy and financial responsibility which recognizes three very important principles, embodying the following objectives:

1. For Homeowners:

   A reduction of a significant portion of property tax by eliminating the 30 mill contribution to the Provincial education foundation fund.

2. For Renters:

   To recognize that any Provincial or Municipal Government scheme to offset the burden of property taxes, reflects the fact that rents include the burden of property taxes as part of the rate.

3. For the Provincial-Municipal Tax Structure:

(a) The cost of education should be primarily borne from the General Revenues of the Province.

(b) Residential property tax should become the most exclusive prerogative of the municipalities - with the exception of only the local School Board supplementary requisitions.

(c) Provincial-Municipal Assistance Grants should be based upon need.

During the 1971 Provincial election, the Progressive Conservative candidates stressed those principles as a dominant theme of their platform. Immediately following the election, the Government appointed a Task Force on Provincial-Municipal Fiscal Arrangements. The Task Force was asked to determine a programme of fiscal reform which recognized the three principles, and to report to the Government by 15th December, 1972.

The members of that Task Force were:

Roy Farran	--	M.L.A. Calgary North Hill - Chairman.
John Batiuk	--	M.L.A. Vegreville.
Cliff Doan	--	M.L.A. Innisfail.
Dr. D. McCrimmon	--	M.L.A. Ponoka.
Rusty Zander	--	M.L.A. Drayton Valley.

The Task Force members had cumulative experience in elected Alberta Municipal positions of over seventy-five years and they responded very quickly to the challenges placed before them. Their Preliminary Report resulted directly in two programmes of significant assistance for Alberta Senior Citizens:

1. the abolition of medicare premiums; and
2. the abolition of the education foundation levy on residential property taxes.

The Interim Report of the Task Force, August, 1972, provided the basis for comprehensive discussion and debate regarding Provincial-Municipal fiscal reform. The Interim Report and the resulting public dialogue and comments were carefully considered in the preparation of the Final Report.

Specifically, as a result of reaction received to the Interim Report, the following major changes are incorporated in the Final Report:

1. Renters are included in the programme of benefits to residential taxpayers.
2. Almost all municipal governments are in an improved position as a result of the municipal assistance portion of the plan.
3. There will be on-going Provincial-Municipal consultation and co-operation regarding the many other items that have been recommended for further study and reform.
4. The Final Report on Property Tax Relief is being made public.

The Final Report, dated 15th December, 1972, identifies many very important subjects that will require on-going review and future budgetary and legislative changes. Provincial and municipal debt, the Alberta Municipal Finance Corporation, the assessment and taxation of rail, pipe, power and transmission lines, urban transportation and current assessment techniques are but a few of such major items. In consultation with the municipal governments, the Government intends to proceed with the necessary reviews related to those matters. However, effective 1st January, 1973, the Government of Alberta proposes immediate and substantive benefits for residential property taxpayers and for Alberta Municipal Governments by introducing "The Alberta Property Tax Reduction Plan"

PART 3 - THE ALBERTA PROPERTY TAX REDUCTION PLAN.

The Alberta Property Tax Reduction Plan has two major parts:

I. Direct Provincial financial assistance to owners and renters of residential property.

II. Direct Provincial financial assistance to municipal governments, based on their financial needs.

1. Provincial Assistance to Residential Owners & Renters:

Residential property includes residential, farmland and mobile homes.

(a) Owners - The Homeowner Education Tax Refund.

- relief from the Provincial education foundation levy on the first $7,200 of assessment on occupied residential property. (NOTE: The average assessment on city homes or on a 1/4-section of prime farmland is $6,400.00).

Maximum relief - $216.00

Minimum relief - $100.00, or the total property tax, whichever is the least.

The value of this programme or savings to Alberta Homeowner Taxpayers is $53,340,000, an increase of $28,240,000 over existing programmes.

Homeowners will complete a Provincial Application Form for the rebate of the benefit. They can select the new Education Tax Refund or the Homeowners Tax Discount, whichever is the greater. (NOTE: The Homeowners Tax Discount will be raised to $100.00 or the total property tax, whichever is the least).

EXAMPLES:

(1) City House assessed at $7,000.00
(i.e. market value about $21,000).

Mill rate: 70 mills

	Taxes 1972	Taxes 1973
Taxes would be 7000 x 70	$490.00	$490.00
Less Homeowner Tax Grant	75.00	-
Less Education Tax Reduction (30 mills)	-	210.00
Tax paid	$415.00	$280.00

(2) Family Farm: 3 Quarter Sections assessed at $2,400 each
(i.e. market value about $22,000).

Mill rate: 70 mills.

	Taxes 1972	Taxes 1973
Taxes would be 3 x 2400x 70	$504.00	$504.00
Less Homeowner Tax Grant	75.00	-
Less Education Tax Reduction (30 mills)	-	216.00
Tax Paid	$429.00	$288.00

(b)/

(b) Renters - Provincial Income Tax Credit.

- income tax credit to a maximum of $100.00 per annum, towards the cost of education property taxes which are included in rents.

The value of this programme, or savings to Alberta Home-renter Taxpayers is $12,000,000.

Renters will obtain their credit when filing their Income Tax Return. The credit on their Provincial Income Tax will be determined by this formula, for the 1973 taxation year:

Basic credit allowance ($100.00).
PLUS 2% of Annual Rent.
MINUS 1% of Taxable Income
EQUALS the Credit.

Maximum Credit = $100.00.
Minimum credit for Senior Citizens = $50.00.

EXAMPLE:

Rent paid = $125. per month = $1,500 per year.
Taxable Income (Income after deductions) = $3,000.00.

Basic Credit Allowance	$ 100
Plus 2% of annual rent	+ 30
	$ 130
Minus 1% of taxable income	- 30
CREDIT	$ 100

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II. Provincial Assistance to Municipalities:

The Province will pay:

(A) An increased share of social services costs:

(1) 100% of hospital requisitions.

(2) 100% of local health unit requisitions.

(3) 90% of municipal social assistance costs.

(B) Two kinds of grants to municipalities:

(1) Unconditional assistance grants determined by a formula based on relative need.

(2) Unconditional incentive grants to municipalities who maintain annual municipal budget increases of less than 7½%.

Municipalities will be encouraged to promote budgetary controls in order to obtain their benefits under the incentive grants programme, which will work in the following manner:

Grant will be:

(1) one-third of the total 1972 supplementary requisition for education or 5 mills, whichever is the greater, OR

(2)/

(2) the total supplementary requisition for education if less than 5 mills.

(3) this grant to be cancelled if the municipal mill rate exceeds an annual growth of 7.5%. (When computing the increase in the municipal mill rate, the value of the Incentive Grant is NOT included).

The value of these programmes, or benefits to Alberta municipal governments is:

(A) Social Services Costs -

100% of hospital requisitions	... $7,000,000
100% of local health unit requisitions	... 5,000,000
90% of municipal social assistance costs	... 2,000,000
	$14,000,000

(B) Municipal Grants -

Unconditional assistance grants	...$14,500,000
Unconditional incentive grants	... 19,500,000
	$34,000,000

Total value of municipal assistance benefits is	...$48,000,000

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This compares to existing municipal grants of $42 M or a net gain of $6 M - an increase in financial assistance to municipal governments of 14½%.

The total new benefits paid under The Alberta Property Tax Reduction Plan are very significant:

To Home-owners	...	$28,240,000
To Renters	...	12,000,000
Increased Municipal Assistance	...	6,000,000
		$46,240,000

This is the equivalent of increasing the existing municipal assistance grants from $42 M to $88.2 M for 1973. Obviously, the latter method could not be followed if the Province is to guarantee Alberta citizens that the substantial additional benefits will be specifically directed to the programmes described in this statement.

SOURCES OF FUNDS:

The costs of these benefits will be borne by existing General Provincial Revenues. The natural resources of this Province are owned by its citizens and the additional income accruing from resource development is being returned directly to Albertans. The increased revenues from resource development in 1973 combined with revenues from an expanding healthy Provincial economy permits the Government to return these benefits to

Alberta citizens without imposing any new taxes. The necessary legislative and budgetary proposals will be placed before the Legislature at its next Session, to be effective 1st January, 1973.

APPENDIX A.

Examples of Benefits to OWNERS of Residential Property.

(1) Small City Home:

Assessed @ $3,000 (i.e. market value about $9,000).
Mill rate 70.

	1972 Taxes	1973 Taxes
Taxes would be 3000 x 70	210.00	210.00
Less Homeowner Tax Grant	75.00	-
Less Education Tax Reduction (30 mills)	-	100.00 *
Tax paid ...	$135.00	$110.00

* NOTE: In this case the minimum benefit of $100 exceeds the 30-mill reduction of (3000 x 30) = $90.00, so the Owner selects the $100.00 credit.

(2) Average City Home:

Assessed at $6,500 (i.e. market value about $19,500)
Mill rate 70

	1972 Taxes	1973 Taxes
Taxes would be 6500 x 70	455.00	455.00
Less Homeowner Tax Grant	75.00	-
Less Education Tax Reduction (30 mills)	-	195.00
Tax paid ...	$380.00	$240.00

(3) Large City Home:

Assessed at $15,000 (i.e. market value about $45,000).

Mill rate 70

	1972 Taxes	1973 Taxes
Taxes would be 15000 x 70	1,050.00	1,050.00
Less Homeowner Tax Grant	75.00	-
Less Education Tax Reduction (30 mills up to 7,200 assess.)	--	216.00
Tax paid ...	$ 975.00	$ 834.00

(4) Typical Family Farm:

3 Quarter Sections assessed @ $3,000 each = 9,000 assess.
(i.e. market value about $27,000).

Mill rate 70

	1972 taxes	1973 taxes
Taxes would be 9000 x 70	630.00	630.00
Less Homeowner Tax Grant	75.00	-
Less Education Tax Reduction (30 mills up to 7200 assess.)	-	216.00
Tax paid ...	$555.00	$414.00

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(5) Above Average Family Farm:

6 Quarter Sections assessed @ $3,000 each = $18,000 assess).
(i.e. market value about $59,000).

Mill rate 70.

	1972 Taxes	1973 Taxes
Taxes would be 18,000 x 70	1,260.00	1,260.00
Less Homeowner Tax Grant	75.00	-
Less Education Tax Reduction (30 mills up to 7,200 Assess)	-	216.00
Tax paid ...	1,185.00	1,044.00

APPENDIX B.

Examples of Benefits to RENTERS of Residential Property.

(1) Rent paid = $100/mo. = $1,200/yr.

Taxable income = NIL

Basic Credit Allowance	...	$100.00
Plus 2% of annual rent	...	+ 24.00
		$124.00
Minus 1% of taxable income	...	-
CREDIT	...	$100.00 (the maximum credit paid)

(2) Rent paid = $150/mo. = $1,800/yr.

Taxable income = $4,000.00

Basic Credit Allowance	...	$100.00
Plus 2% of Annual Rent	...	+ 36.00
		$136.00
Minus 1% of Taxable Income	...	40.00
CREDIT	...	$ 96.00

(3) Rent paid = $250/mo. = $3,000/yr

Taxable income = $15,000.00

Basic Credit Allowance	...	$100.00
Plus 2% of Annual Rent	...	+ 60.00
		$160.00
Minus 1% of Taxable Income	...	150.00
CREDIT	...	$ 10.00

APPENDIX C.

MUNICIPAL ASSISTANCE GRANTS.

	UNCONDITIONAL ASSISTANCE GRANTS.	UNCONDITIONAL INCENTIVE GRANTS.	TOTAL BENEFITS.
Cities	2,280,643.00	11,977,423,00	14,258,066.00
Towns	3,128,505.00	1,789,215.00	4,917,720.00
Villages	865,481.00	303,037.00	1,163,827.00
Counties	4,632,570.00	3,123,971.00	7,756,541.00
Municipal Districts	2,476,710.00	1,265,206.00	3,741,916.00
Improvement Districts & Special Areas	1,048,810.00	1,166,101.00	2,214,911.00
TOTALS	14,432,719.00	19,624,953.00	34,057,672.00

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